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Building local businesses,
one **opportunity** at a time.

April 15, 2013

Via Electronic Delivery

The Honorable Dave Camp
Chairman
Committee on Ways and Means
U.S. House of Representatives
Washington, DC 20515

The Honorable Vern Buchanan
Chairman
Tax Reform Working Group on Small Business/Pass Throughs
Committee on Ways and Means
U.S. House of Representatives
Washington, DC 20515

The Honorable Allyson Schwartz
Vice Chair
Tax Reform Working Group on Small Business/Pass Throughs
Committee on Ways and Means
U.S. House of Representatives
Washington, DC 20515

Re: Corporate and Individual Tax Reform

Dear Chairman Camp, Chairman Buchanan and Vice Chairman Schwartz:

On behalf of the *International Franchise Association* and its members, thank you for the opportunity to brief the *Small Business/Pass Throughs Working Group* on our position with respect to overhauling the tax code. We look forward to continuing this dialogue as tax reform advances in the 113th Congress.

As you know, our overarching goal for tax reform is to replace the current code with a system that is simpler, flatter, and fairer for all Americans. Equally important, we need a modern tax system that rewards entrepreneurship, investment, and job creation, and doesn't penalize success.

IFA is confident that your efforts are moving in the right direction. However, we are concerned about external dynamics.

Last week, President Obama released his 2014 budget. While the President's budget discusses the need for a corporate tax overhaul, it is silent on individual tax reform. We have significant reservations about any effort to undertake corporate-only reform without addressing the individual side of the tax code simultaneously.

For small businesses, corporate and individual tax reform are inherently linked. Many entrepreneurs report their *business income* on their *individual* tax returns. As such, tax reform that addresses only the corporate side of the tax code would overlook the needs of millions of businesses in America – including the majority of this country's 825,000 franchise owners, who do not pay the corporate tax rate but rather pay taxes on the individual owners' income.

Reforming only the corporate tax code would leave small business owners who file individually with an outdated and overly complicated tax system – one that would put them at a disadvantage relative to larger entities, as well as their foreign competition.

In the coming weeks, IFA will produce a study that demonstrates the various provisions in the tax code that are most important to franchise businesses ability to create jobs faster than non-franchised businesses. The study will show the impact that higher effective tax rates on small businesses would have on future growth plans for our industry. We look forward to sharing the results with the committee and other interested parties. As an organization representing franchisors and franchisees of all sizes, IFA strongly believes that any efforts to overhaul the tax system should address the needs of *all* business owners, regardless of whether they file their taxes on corporate or individual returns. Accordingly, we urge you to pursue individual tax reform in parallel with corporate tax reform, the President's budget notwithstanding.

Once again, thank you for working with the *International Franchise Association* on issues facing America's small business franchisees. On behalf of our members, we appreciate your support of the nation's entrepreneurs and job creators, and stand by to assist you in any way we can.

Sincerely,



Judith Thorman
Senior Vice President, Government Relations &
Public Policy
International Franchise Association